

WILSON/FERBER TELEPHONE CONVERSATION  
FRIDAY, FEBRUARY 4, 2011

6

1 from mutual friends and everything else. But these prices, the  
2 timing of these prices were very smelly, and there are other --

3 MR. WILSON: What do you mean by that?

4 MS. FERBER: Okay, you've been -- 'cause you guys have been  
5 putting up prices at 2:45 the last several days -- no, no, now  
6 it's changed, but mostly at 2:45 and, you know, these prices  
7 that are, that are -- people can have different view, but  
8 potentially off, off-market going up at 2:45, and therefore  
9 where things settle.

10 MR. WILSON: Let's, let's, let's pause there for a minute.

11 MS. FERBER: Uh-huh.

12 MR. WILSON: We'd be happy to trade on any of those prices all  
13 day long.

14 MS. FERBER: I'm not saying you wouldn't be happy -- no, okay,  
15 but you don't have them up all day long. You have them up only  
16 at that time, and it attracted attention.

17 MR. WILSON: I --

18 MS. FERBER: All I'm trying to say, okay, is, is that look, you  
19 and I have both ends, both our firms and you and I personally  
20 have both been working very hard to open up these, these  
21 markets. And, you know, I do not think that people focusing on  
22 whether they think the behavior is bad right now is really going  
23 to -- is really helpful for any of that.

24 MR. WILSON: Sure. I --

25 MS. FERBER: If you go out and basically slander us in the  
26 market, we will, you know, have to -- we will defend ourselves,  
27 and we will -- so, I don't believe in ever slandering somebody  
28 in a market. I'm sure traders do it sometimes if we can't  
29 control them, but I really don't believe in that; I never  
30 condone that behavior. But that's what you said to Peter, and  
31 if you do that, we will have to be -- we will defend ourselves  
32 very strongly. And that comes from, you know, right from John  
33 Corzine. Because we don't think that there's anything wrong  
34 here, and we do think that something's smelly, and that is  
35 exactly what made us nervous, you know, in, in a very fair and  
36 reasonable timeframe what made us nervous this big trade didn't  
37 clear. And I have to tell you I'm not the one who thinks this

WILSON/FERBER TELEPHONE CONVERSATION  
FRIDAY, FEBRUARY 4, 2011

7

1 is smelly. There are other people who are looking at these,  
2 and, you know, again, you may be 100 percent right, and you can  
3 win the battle, lose the war, I don't know.

4 MR. WILSON: Sure. I --

5 MS. FERBER: But that's, that's, you know --

6 MR. WILSON: You know, I mean, what -- as I said, we traded this  
7 at 15 basis point over the OTC interest rate swap market, okay?  
8 So, we're willing to pay fixed.

9 MS. FERBER: I think it's 20, but that's okay.

10 MR. WILSON: The large, you know -- we had \$25 million up on the  
11 screen at 20 over.

12 MS. FERBER: Uh-huh.

13 MR. WILSON: When we did the trade, we did, you know -- then  
14 they, they called up and said where will you do size. And we  
15 said well, we'll, you know -- so, we stepped back 5 basis  
16 points, and we said we'll do a billion at 375, which is 15 basis  
17 points over, okay? And that's not 'cause we're trying to mark  
18 the thing. It's because we think there's a fundamental  
19 difference in IDCG contracts and their value.

20 MS. FERBER: I understand that's your position, and I don't know  
21 if you understand there's some dispute on that, but you're  
22 probably in that range of the dispute, you know. But, but the  
23 timing of how those trades have been going up is, is pretty  
24 fishy.

25 MR. WILSON: Sure, but -- but, but the point is this. We're  
26 willing to trade at those prices. I'm still willing to trade at  
27 those prices. I'll trade at them now. We'll trade 20 over.

28 MS. FERBER: I understand that, but when those prices -- given  
29 the volume there, and I mean, now I don't know all the facts.  
30 Now I'm getting beyond what I have known and say and all. But  
31 when, you know, the fact is those prices don't get traded on.  
32 We all know how much volume goes through IDCG, and they go up at  
33 2:45 every day, so making sure the -- make sure that the marks  
34 screw other people, 'cause, you know, it screws them, and that  
35 is what happens.

36 MR. WILSON: Okay.

WILSON/FERBER TELEPHONE CONVERSATION  
FRIDAY, FEBRUARY 4, 2011

8

1 MS. FERBER: You get to set the mark. You get to set the -- the  
2 marks.

3 MR. WILSON: Any -- this is an electronic trading platform.  
4 Anybody can trade with the marks. My instruction to the guys is  
5 actually to, to put the prices up pretty much all day long and  
6 move them --

7 MS. FERBER: And they start doing that the next day.

8 MR. WILSON: The, the, the -- we don't have -- we haven't  
9 written something to the API so we can just stream a spread in,  
10 but we're happy to trade at those prices, any day, any time, all  
11 day long. And, and so, you know, I would -- I'm not at all  
12 concerned about an accusation that we're manipulating the market  
13 because we're there. We're really there. We're there all day.  
14 I mean, anybody who wants to trade with us we're happy to trade  
15 with them. Still today we'd be happy to trade with them  
16 although we're now very concerned about how IDCG handled this  
17 trade but --

18 MS. FERBER: Yeah.

19 MR. WILSON: But, I mean, but -- so that raises other issues.

20 MS. FERBER: Uh-huh. Yeah, but they, they -- I mean, they  
21 learned some things that what they need to tighten up on their  
22 rules about how long you're going trade, hang out. I think, I  
23 think you do have the stuff to do it. I mean, look, we, we -- I  
24 think you should be very concerned. If we did this to a  
25 customer, we would expect to have them to be doing something  
26 with that customer.

27 MR. WILSON: Sure, listen, I mean, I mean, Newedge has told me  
28 that that they were told yeah, we understand there's a blizzard  
29 there. Just get up the paperwork in the morning, okay?

30 MS. FERBER: They didn't get it for us in the morning. They  
31 didn't have it at 9:30 on the next morning. I'm sorry 9:30,  
32 yeah, New York trading, it's pretty substantial.

33 MR. WILSON: Yes. I don't know why the paperwork took, took  
34 longer than it should have to get in, okay? But, I mean, if I  
35 were MF and I were thinking about busting the trade, I would  
36 have called up Newedge and said hey guys, is there a problem  
37 here? I mean, that's, that's the way that anybody in the  
38 industry would handle a situation like this.



WILSON/FERBER TELEPHONE CONVERSATION  
FRIDAY, FEBRUARY 4, 2011

9

1 MS. FERBER: Okay, I don't even know, I don't even know if we  
2 knew at that point that it was, that it was, it was you.

3 MR. WILSON: No, no, no, but I'm saying Newedge. You knew that  
4 Newedge had facilitated the trade.

5 MS. FERBER: Uh-huh.

6 MR. WILSON: You guys know people at Newedge. It's easy to pick  
7 up the phone and say hey, we think we might have a problem with  
8 this trade. We're not sure why it's clearing.

9 MS. FERBER: You know what, Don? Even if that's true, you know,  
10 I think you have differentiate, you know, what would I do,  
11 bending over backwards just for relationships versus, versus,  
12 you know, legally what I have to do. And I'm sorry, you know,  
13 we just kept, kept calling. And, you know, and just -- this is  
14 just so obvious; it's a big trade, you get your paperwork in,  
15 okay? And it wasn't coming in, and Peter's not hearing anything  
16 that's making him feel warm and fuzzy from the clearing house.

17 MR. WILSON: Okay. I mean, I mean, all right. My  
18 understanding, and this is hearsay, is that MF called up IDCG in  
19 the morning and said get us out of this trade. We don't want to  
20 be in this trade.

21 MS. FERBER: That is not true. First off, even if somebody  
22 thought that, which is not the case, do you think we're stupid  
23 enough to do that?

24 MR. WILSON: I, I have no idea.

25 MS. FERBER: Okay, well --

26 MR. WILSON: I mean, I mean, all I know is that here's a guy,  
27 okay, who used to work at Refco, and I'm sorry, I mean, we all  
28 know what happened to Refco. I had some dealings with Refco.  
29 Refco, for them it was if we can make an extra dollar and that  
30 costs us more reputation, we don't care.

31 MS. FERBER: Uh-huh.

32 MR. WILSON: And my perception is that this is in the same vein.

33 MS. FERBER: Okay. We had a good, a very good trade locked in.  
34 Why would we be trying to walk away from it?

WILSON/FERBER TELEPHONE CONVERSATION  
FRIDAY, FEBRUARY 4, 2011

10

1 MR. WILSON: I don't know. Why wouldn't you want to reinitiate  
2 it now? 'Cause I said listen --

3 MS. FERBER: No, you know what? One thing, one thing is because  
4 we first off have some of those same concerns about IDCG right  
5 now, and that's one of them. And, you know, that's at least one  
6 of them right now. We don't want it there. We said we're happy  
7 to do it in OTC terms. We also don't have whatever, you know,  
8 we had before. Look, what Peter and -- and there's a lot of  
9 views around here. Why did we offer to give you guys anything?  
10 But Peter, trying to be the good customer guy, and someone said  
11 the guys said look, we happen to get -- we weren't trying to  
12 make money on this, but we happened to get in one sense a  
13 windfall because of where our hedge had moved.

14 MR. WILSON: I know. Unfortunately, you didn't --

15 MS. FERBER: So we are, so we are -- wait, wait. Totally --  
16 wait, wait, just to be -- totally our money, we said look, I'm  
17 not trying to make anything off this. I'll, I'll give you that  
18 money. People here kind of looked at him like he's crazy, but  
19 said okay, that's fine. You want to do that for a customer  
20 relationship? That's fine. That's his P and L to spend, you  
21 know. I think John's comment was I'm not gonna -- I forget it.  
22 it was a good -- a great phrase, like, I'm not gonna, you know,  
23 go ballistic if, if you want to do that, you know. But if you,  
24 but if you want to do that for a relationship, that's his  
25 choice. But I want, I want to make sure you understood that was  
26 the context of it, and that's the only context.

27 MR. WILSON: And because of the poor communication here, we took  
28 off our hedge at a different time. And unfortunately --

29 MS. FERBER: When did you take off your, your, your hedge?

30 MR. WILSON: I can look at the exact time, but I think it was  
31 like two hours after you guys took yours off, because that was  
32 the time that we were convinced -- 'cause we were told --  
33 Newedge was told by IDCG, you know, if you resubmit the trade,  
34 maybe MF will take it.

35 MS. FERBER: Well, okay, but wait, wait. If you resubmit and  
36 they didn't do anything to tell -- they didn't call us then, or  
37 they didn't, you know -- did they tell you, like, you know,  
38 you've got to take off my hedge. I know I had to do stuff.



WILSON/FERBER TELEPHONE CONVERSATION  
FRIDAY, FEBRUARY 4, 2011

11

1 MR. WILSON: So, I, I said to Newedge well, should I take off my  
2 hedge now? And they said no. We'll call MF and get to the  
3 bottom of this.

4 MS. FERBER: Well, we were trying to get a hold of them. It  
5 took a long time to get them. You know, we all actually finally  
6 got on the phone, like, I don't know, like, one or one o'clock  
7 or something. I mean, I can't remember yesterday, and yesterday  
8 we had a little bit going on around here, you know. So, you  
9 know, I mean, they, they weren't, like, beating down the door to  
10 find us to communicate any of that. So, I'm sorry, it's  
11 something -- you know, they didn't tell you. They didn't leave  
12 you armed, you know. Did you know who the other side was?

13 MR. WILSON: Yes, we knew the -- we knew --

14 MS. FERBER: Okay, well, call, call -- you know, you didn't  
15 call. Again, I'm not saying that it would have done anything  
16 then, but in this, in this timeframe, it went too long, you  
17 know. So, so, Newedge let two hours go by?

18 MR. WILSON: I, I, I don't think it was -- I don't -- I don't  
19 know -- I don't have the exact timeline, okay?

20 MS. FERBER: Yeah.

21 MR. WILSON: But I don't, I don't think it was that long, 'cause  
22 I, you know, from the time that they said to me, you know, IDCG  
23 is saying they, they will not accept this trade to the time  
24 that -- you know, it was pretty fast after that. I said uh-oh,  
25 this is a big problem. And they said but IDCG said if you  
26 resubmit, maybe they'll take the trade.

27 MS. FERBER: Yeah, maybe, right, maybe, and, you know, if the  
28 sky turns blue, maybe I'll be ten years older. I mean, I  
29 don't -- yeah, yeah.

30 MR. WILSON: Yeah, but to me that -- it sounds like to me -- and  
31 I'm still assuming 'cause I know we've done the trade, and we've  
32 gotten confirms and everything, you know, done. In my mind the  
33 trade is done, okay? So, this is like really shocking to me  
34 that the trade is somehow being undone and very shocking to the  
35 people at Newedge as well. So, so, when they say, you know,  
36 well, when IDCG says to Newedge and Newedge relays to me that  
37 oh, if you resubmit the trade, then maybe the other side will  
38 pick it up, it sounds to me like it's still not 100 percent  
39 clear that the other side is reneging on the trade.

WILSON/FERBER TELEPHONE CONVERSATION  
FRIDAY, FEBRUARY 4, 2011

12

1 MS. FERBER: Okay, let's see, did you say that I would have said  
2 if I were in that situation thinking back to my very untrained,  
3 you know, trading days, which was get them on -- get them the  
4 hell on the phone right this minute, find out.

5 MR. WILSON: I said -- that's what I did. I called MF  
6 immediately at that point.

7 MS. FERBER: Yeah.

8 MR. WILSON: Immediately. From after that conversation, they  
9 got on the phone immediately with MF. They got after me shortly  
10 thereafter, and they said, okay, MF is not taking this trade;  
11 you need to get out, and then we immediately went and got out.  
12 So, that was our -- I mean, 'cause I was very sensitive to the  
13 fact that we're basically naked.

14 MS. FERBER: Uh-huh. And that's what, you know, when Peter said  
15 you look -- you know, I had this totally sleepless night  
16 thinking I was naked on this trade, and we, you know, it's not,  
17 it's not predicting which way it's going, it's just I'm naked.

18 MR. WILSON: Well, that, that doesn't smell right to me at all  
19 because the broker had sent a confirm to the trader saying  
20 you're all fine on this trade.

21 MS. FERBER: But it didn't clear. Peter's not used to 250  
22 million notional trades not clearing.

23 MR. WILSON: No, right.

24 MS. FERBER: But wait, you have to understand, and then when  
25 people looked at it and said wait minute there's something  
26 really fishy about these prices, the timing, all that. And so  
27 when then when it didn't clear, we thought -- and you called me.  
28 You gave a clear message that there is no clear trade, which is  
29 a condition of this, and saying look, you know, I don't know who  
30 these people are, but, you know, either they got nervous or  
31 their -- Newedge got nervous, they don't want to be involved in  
32 this. We don't know. Don, I know it's very frustrating.

33 MR. WILSON: I mean, I mean, it's just, it's just a debacle.

34 MS. FERBER: Yeah.



## WILSON/FERBER TELEPHONE CONVERSATION

13

FRIDAY, FEBRUARY 4, 2011

1 MR. WILSON: It's, it's, it's just horrible. I mean, and it's  
2 so much time and energy and, and, I mean, completely  
3 unproductive.

4 MS. FERBER: Yeah, Don, and by the way, the money is low, that's  
5 right. You mean, the amount of senior management time, so on,  
6 on a day yesterday that should have been this, this great day  
7 here for lots of reasons such as the primary dealer, the rating  
8 agencies, great surprise, all this stuff, you know, big, big  
9 day. No, all we were doing was, you know, was dealing with  
10 this, okay? It is, it is I agree a horrible, horrible waste,  
11 okay? But, but it is what it is, and we were all exposed and  
12 all in bad shape. Now, I told you my personal views of whether  
13 we should do anything, but, you know, Peter's offered, smartly  
14 or not, to give you half, you know, what's more than half of  
15 what you lost, you know. I think that's pretty damn nice and  
16 pretty damn fair, you know. That's only worthwhile doing if  
17 somebody appreciates it and, and the relationship goes on.  
18 That's the only -- customer relationship reason is the only  
19 reason to be doing this. It's no legal reason to be doing it.  
20 It's doing it to be not trying to, to make anything on it, and  
21 you lost, we won; it's just a fluke of things. We all wanted  
22 the trade, you know. But it is what it is.

23 MR. WILSON: What --

24 MS. FERBER: And hopefully we all learned some lessons here.

25 MR. WILSON: I'm really trying to be skeptical about because  
26 I'm, I'm saying here, let's reinitiate the trade at the same  
27 level, the same spread. And I'm being told oh, no, we've  
28 changed our minds now.

29 MS. FERBER: Okay, people here are not -- will not do that on  
30 IDCG now. We are not comfortable.

31 MR. WILSON: That's a quite a change in tone from, you know,  
32 hey, we'll do as much as you want.

33 MS. FERBER: Well, look, first off, you said -- first off,  
34 besides the fact of what we all learned from this experience and  
35 what they have to beef up, but, you know, we said why did he  
36 have that sleepless night? Why are we -- say, okay, we're out?  
37 It was based on, you now, how the pricing was, the pricing and  
38 stuff was going on there now. They've got to figure out what  
39 they're do -- you know, what they doing in this market, and how  
40 to judge prices, and how they're settling stuff. And you may be



WILSON/FERBER TELEPHONE CONVERSATION  
FRIDAY, FEBRUARY 4, 2011

14

1 doing the most noble thing in the world. Obviously, I think  
2 trying to get these markets going is a, is a great thing. But  
3 right now the pricing, you know, the timing and stuff, smells to  
4 people. And, you know, you may have this excuse, maybe the API,  
5 but it smells, and you know, that's got to settle down. And  
6 none of this and making a huge, making a huge deal about that is  
7 not going to be good for all the stuff about these markets right  
8 now. And you and I sitting next to each other at the next  
9 whatever -- the Global Markets Committee, these are the issues,  
10 you know. This is not good for anybody.

11 MR. WILSON: Okay. Well, I mean, I mean this is -- I -- it --  
12 from my view, my perspective is this. I, I don't think that we  
13 at DRW have done anything wrong, inappropriate, anything. I  
14 look at how we handled ourselves, the chain of events. I, I  
15 wouldn't do anything differently, okay? I think that Newedge  
16 obviously should have gotten the form in on time. I think that  
17 IDCG has done some really shady things, and I think that MF has  
18 handled it very poorly. And right now the result is that we  
19 don't have on a trade that we thought we had done, and we're out  
20 \$1.1 million.

21 MS. FERBER: I, I, I, hear you. I think that -- again, merits  
22 aside, Pete, the good customer guy, you know, that's why he  
23 offered to do something. Again, John -- you know, you know all  
24 the focus here, nobody loves giving up P and L, but if Pete  
25 wants to on a customer relationship basis, if that makes you  
26 guys, you know, kiss and hug and go on, you know, than that's,  
27 that's actually his decision, you know. But it's -- I think, I  
28 think you laid out the pieces, you know, fairly closely, fairly  
29 well. I don't remember how you described us in that, the other  
30 pieces of it, you know. You know, I, I agree -- I'm not sure.  
31 I think you said IDCG did things very shady. I don't know about  
32 shady but, you know, we cut out a lot of practice in this, and  
33 it probably didn't have the clarity that they, you know, that  
34 they should have had. And we probably all learned things of  
35 what we should be pushing them on, their rules and procedures  
36 and all that, and even just how they moved to this different  
37 kind of, you know, how they determined the settles and stuff  
38 like that, you know. But it's, it's --

39 MR. WILSON: Yeah, I mean, how they determine the settles, we've  
40 been frustrated with them because we've been offering five basis  
41 points through, through Newedge over the phone for two months,  
42 and they wouldn't -- they couldn't change the settles because  
43 they -- their settlement procedure is number one, to take prices  
44 from their electronic platform, and if there are none, in the